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Market Brief - Sector

Italy : Organic Food Products

Summary:

Much confusion exists regarding Italy's organic production and consumption. While organic production is increasing in Italy nearly half is exported to northern European markets.

Half of Italy's organic food consumption is fresh fruits and vegetables. However, opportunities exist for U.S. organic dried/preserved fruit and vegetables, organic wine, olives, vegetable oil, and processed food and products.

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The Organic Food Market in Italy

Summary:

Italy is becoming a major player in EU organic foods production. There is a lot of contradictory information available on organic production and consumption in Italy. This report attempts to put much of the information in a useful format for US businesses. Roughly half of Italy's organic food production is exported to northern Europe. Most organic production occurs in southern Italy and much of it is consumed by the people who produce it. Most commercial production occurs in northern Italy. While the organic consumption market is still very small in Italy, there are signs of growth, some claim growth has been as large as 100% per year. Currently, the organic food consumption market is valued at around US \$900 million, representing about 3% of all money spent on food. However, traditional agricultural producers don't believe organic food will ever account for more than 4 to 5% of total agricultural production. Currently, most production is concentrated in southern Italy, Sicily and Sardinia. Organic product prices are sufficient incentives for these small farmers to produce these organic products. There are a few larger farms in northern Italy also producing organic grains.

As with most other high valued food products northern Italy is the major consumer market for organic foods. A few small organic supermarkets exist in northern Italy and Rome. Traditionally, organic products are sold in specialized stores. However, major supermarket chains have recently developed special sections with fresh organic fruits and vegetables; around half of Italian organic food consumption is of fruit and vegetables. There is also some interest in organic olive oil, wine, vinegar, sugar, grains and cereals. Organic milk, cheese and meat have little to no market demand. Major supermarkets and grocers now account for only one-fourth to one-third of retail sales. As in other countries, the higher prices of organic products are the major impediment to increased sales and consumption. Organic produce prices are 20% to 200% higher than non-organic products.

EU organic rules and regulations take precedence in the market. However, Italian rules and regulations pertain where there are no EU rules and regulations.

US Export Opportunities:

As the Italian consumers continue to develop their tastes for organic foods and products there is demand for US organic food ingredients, packaged food, some fresh fruits and vegetables, dried and preserved fruits and vegetables, wine, olives, oil, etc. The fresh organic fruits and vegetables is the toughest segment of the market to enter because it competes head to head with Italian production. All other products could find a niche in the Italian market.

It is important to work closely with an Italian importer to get through the complex Italian and EU food rules and regulations. Italian organic certifying agencies recognize some US organic organizations and not others. Consequently, the importance of working closely with the Italian importer/distributor cannot be undervalued.

It is not recommended to ship products to Italy and hope to find someone to purchase them. This has led to disappointing results and financial disaster for entrepreneurs who have attempted it. Items should be sold on a FOB basis, CIF if you have much experience in international trade, and make sure you have a valid monetary document from the purchaser for your products. Many inexperienced exporters have shipped products to Italy and discovered that the importer no longer exists and their products have disappeared. Please see report IT9708, Ensure Payment for Your Exports, if you have any doubts about exporting.

SANA Natural/Organic Food Show

SANA is Europe's second largest natural/organic food and product show held in Bologna each September. There are normally over 50,000 visitors with over 1,300 exhibitors at SANA. Participants in the US Pavilion at SANA report very good sales results and mention that it is an ideal way to enter the market. If you are interested in participating in the USA Pavilion at SANA please contact ATO Milan at Fax: 39-02-659-9641 or e-mail: ATOMilan@fas.usda.gov

Unsure if Your Product Meets Italian and EU Regulations?

If you are unsure your product meets Italian and EU rules and regulations, ATO Milan has a label and ingredient review program to ensure your product can enter the Italian and southern European market. The program costs only \$150, one-tenth the normal fee; suggested changes to labels or ingredients to ensure compliance will be provided. For more information on the program contact ATO Milan at fax: 3902-659-9641 or e-mail at: ATOMilan@fas.usda.gov

Consumption Trends

Organic food consumption in Italy is increasing between 20 to 100% per year, depending on the source used. Those claiming 100% yearly consumption increases now project future increases of only 20 to 40% per year. The sources claiming yearly consumption increases of 20 to 40% believe this will remain steady into the future. There may not be consensus on the size of this sector's growth in the past, but everyone seems to agree on yearly increases of 20 to 40% for the next few years.

Around 65% of organic food consumption occurs in northern Italy where there is high disposable income. Major traits of organic food consumers are: they are from upper-middle or above incomes, have an average education (high school graduates, some college) and are between 30 to 45 years of age. These same traits describe frozen and prepared food consumers.

Of the organic products purchased each year, over half of them are fruits and vegetables, followed by cereals, wine, olive oils, dairy products and vinegar.

Competition:

Roughly half of domestic organic production is exported. Exports are mostly grains (wheat, corn, rice) and their products, olive oil, wine and fruit and vegetables. Domestic organic production doesn't coincide with the domestic consumption. Nearly 40% of domestic organic production area is dedicated to fodder while half of organic consumption is fruit and vegetables. Fruits and vegetables make up only 10% of the total land use for organic production. Organic fruit and vegetables are imported from other EU countries, Argentina, Chile and other South American countries.

There are now over 1,300 businesses that claim to be processing organic foods in Italy. Many of these businesses are cottage industries. However, some are modern, large processors. The largest organic food processing companies are Del Monte, Scaldasole, and Granarolo. Many of these companies are focused on tomato based products while others are focused on cereals and pastas. As everywhere, there is a strong interest in organic baby foods, even if the actual sales don't match the interest.

Distribution

One third of all organic food sales in Italy are through specialist retailers. Only one-fourth to one-third are distributed through multiple outlet retailers.

There are an estimated 800 specialist outlets in Italy that sell organic food. The vast majority are in northern Italy. The leading specialist outlets include El Tamiso, Natura Sì and Bottega & Natura. These retailers are usually found in the wealthier sections of town and often carry natural cosmetics as well as sell food and drink through a bar and/or restaurant. Mercato Verde is the leading organic wholesaler in Italy.

Over 300 supermarkets and small self-service stores sell organic products. Coop Italia, Conad, and Esselunga are the three largest supermarket chains selling organic products; all developed a special organic food section in their stores. Most other chains that sell organics do not separate them from their non-organic counterparts. Consumers searching for a certain product, i.e. olive oil, may notice the organic version only as they look through the different non-organic versions.

Coop Italia is a conglomerate of various smaller supermarkets and small stores that banded together to provide more efficiency, and lower prices, in the supermarket sector. Coop Italia is the leading retailer of organic foods, with 12-15% of the organic market share. Its total organic food sales amounts to \$18.4 million a year, which is roughly one-half percent of its total food and drink business. Nearly 40% of its organic products are imported; 10% from outside the EU. In hopes of increasing the number of organic products it carries over the next few years it started its own organic private label with over 100 products.

Major Supermarkets with large organic food sectors:

Coop Italia fax: 39-051-596145

Conad: Fax: 39-051-508414

Esselunga: Fax: 39-02-9266471

There are over 30 major supermarket chains in Italy. For names and addresses of the other supermarket chains please contact the ATO Milan office at Fax: 39-02-659-9641 or e-mail: ATOMilan@fas.usda.gov

Prices

Easily, the largest hindrance to the sales of organic food is price. In general, price is lower in a large market as opposed to a specialty store. Currently, less than a quarter of all sales are made in retail chains.

Price premiums for organic food ranges from 20 to 200%. There doesn't seem to be any rational calculation for price mark ups. It appears that the farm gate price is added to the transportation and marketing costs and then a magic number is added to determine the markup. Organic apples costing 150 to 200% more than the non organic counterparts are seen in supermarkets. Organic kiwis have been observed with a 100% mark up on a shelf next to its non organic counterpart.

Italian Regulatory Organizations

The Federazione Italiana Agricoltura Organica (FIAO) acts as a self-regulatory body for its members and represents the Italian organic food sector in national and international forums. It is an umbrella organization for all the other organic organizations. FIAO has its own set of regulations for organic production. Fax: 39-051-254842

In Italy, there are eight organic certification agencies recognized by the Ministry of Agriculture. A product cannot be labeled as organic without certification from one of these agencies. These agencies are centered around Bologna in northern Italy where most of the commercial organic production occurs in Italy. (These Bologna based agencies or organizations are also present at the SANA Natural/Organic Food Show that is held in Bologna each September.) This is also the central headquarters of the two largest supermarket chains carrying organic products. These organic certifying agencies are:

AIAB:

AIAB was responsible for the first national Italian standards for organic farming, established in 1988. AIAB was the first agency to meet the EU standards and certifies olive oils and vegetables. Fax: 39-051-232011

Associazione Suolo E Salute:

Suolo E Salute meets EU standards and certifies fruits, oils, cereals, vegetables, wines, and dairy products, as well as others. Fax: 39-0721-725365

Bioagricoop:

Bioagricoop is a certification and control organization offering consultancy, chemical and microbiological analyses, marketing, research on organic markets, and provides seminars and training. Bioagricoop also meets EU standards. Fax: 39-051-613-0224

CODEX: Fax: 39-0521-681221

Consorzio per il Controllo dei Prodotti Biologici (CCPB):

CCPB is a collection of farmers, producers, processors, and distributors working to standardize organic sector conditions. CCPB has met EU standards as a certification body.

Fax: 39-051-254842

Ecocert Italia:

Ecocert Italia is a certification and control agency working with over 7,000 farms and 800 enterprises. Fax: 39-095-505094

Istituto Mediterraneo di Certificazione (IMC): Fax: 39-071-791-0043

QC&I: Fax: 39-0577-329907

BIOS s.r.l. is another certifying organization for biological (organic) production.

Telephone number: 39-0424-471125

European Union (EU) Regulations

EU organic regulations take precedent in the market. Italian rules and regulations exist where the EU rules and regulations are silent. EU rules and regulations mostly influence standards and labeling. If an organic product meets the standards of EU Regulation 2092/91, it may be labeled “Organic Farming - EEC Control System”. There is no restriction to also including Italian organic labels as well.

An organic product must contain at least 70% organically-produced ingredients. However, if the organically-produced ingredients make up 70-95% of the product, the organic indication may only be used in the ingredients list. If organically-produced ingredients make up more than 95%, the organic label may be used on the front of the packaging.

Genetically Modified Organisms (GMOs) is a dynamic issue with the EU. Rules and regulations are constantly under review over what is permitted.

All organic food entering the EU from a country outside the Union must meet regulation 2092/91. Some countries' national standards meet the EU's set standards, and are allowed to import at will, but the US is not included on this list. Exporters must register under a recognized certification body and meet the certifying body's standards. Products must be imported in closed packaging, bear a reference to the EU-based importer and give details of the product which match the inspection certificate that will accompany the shipment.

